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SUBJECT: ENVIRONMENT MINISTRY DECISION ON BIOETHANOL WILL  
HAVE NEGLIGIBLE EFFECT ON BIOFUEL INDUSTRY

REF: A. BERLIN 316

[1](#)B. 07 BERLIN 2177

[1](#)1. On April 4, German media reported on Environment Minister Sigmar Gabriel's decision to abandon a planned increase in the unlabeled blending mandate for bioethanol in gasoline from five percent to ten percent. However, according to Embassy contacts in leading biofuel industry groups, not a single journalist understood this issue clearly and no article got the facts right. In contrast to media claims, the adverse effect of this decision on the German biofuel industry is negligible.

[1](#)2. The proposed legislative amendment to the Fuel Quality Ordinance would increase the unlabeled blending limit of bioethanol in gasoline from 5 percent (E5) to 10 percent (E10) and for biodiesel in diesel fuel from 5 percent (B5) to 7 percent (B7). Biofuels may be blended above those limits only if they are labeled as such to make consumers aware of the fact; since not all vehicles are compatible with higher biofuel blending limits, their owners would be forced to buy more expensive premium gasoline. The planned increase in the blending mandate was based on a series of roundtable discussions held between the German Environment Ministry (BMU), Agriculture Ministry (BMELV) and representatives from the automobile, mineral oils and biofuel industries (REF A). However, in calculating the number of vehicles that would be incompatible with an increase to E10, the BMU received input only from domestic automobile manufacturers represented by the German Association of the Automotive Industry (VDA). As a result, BMU grossly underestimated the number of foreign vehicles that would be impacted by a change to E10. Only after the German Automobile Club (ADAC) and the German Association of Foreign Auto Manufacturers (VDIK) weighed in with new figures did BMU acknowledge that the number of impacted car owners would be in excess of 3 million (as opposed to their previous estimate of 375,000). Not wishing to make so many individuals bear an increased financial burden, BMU officially abandoned the planned unlabeled blending limit increase for E10 on April 4.

[1](#)3. Experts believe this action will have a negligible adverse effect on the German domestic biofuel industry. The industry consists primarily of biodiesel producers with only a small number of bioethanol producers. In a conversation with ECONOFF on April 4, Dr. Norbert Heim of biofuel lobby group UFOP said almost no bioethanol is currently being produced in Germany. This opinion was confirmed by Karin Retzlaff of another lobby group, VDB, who noted that almost all bioethanol in Germany comes from imports. The BMU's decision on E10 will not affect in any way the parallel planned increase from B5 to B7. Therefore Heim said that biofuel producers have "no problem" with the BMU's decision since it only applies to bioethanol in gasoline and not to biodiesel. Retzlaff said on April 4 that she expects the increase to B7 to become law shortly.

[1](#)4. COMMENT: The BMU's decision places more pressure on the

German automobile industry. The current EU Energy and Climate Package released on January 23 proposes stricter emissions limits of about 120 grams of carbon dioxide per kilometer for a fleet of vehicles. Originally, Gabriel had denounced this proposal as discrimination against the German auto industry. Gabriel was roundly criticized by the press for his defense of automobile manufacturers, which damaged his image and credibility as Environment Minister. Gabriel subsequently received complaints from auto manufacturers about the proposed increase to E10. Media and industry insiders speculate that, because VDIK rejected BMU's invitation to a biofuels road map discussion in 2006, Gabriel likely felt unfairly burned by their criticism of the final road map. As a result, Gabriel is reportedly no longer willing to defend the industry. German automobile manufacturers had been counting on the increased use of biofuels to help them meet any lower EU emissions requirements. In his remarks Gabriel said that automakers will now have to bear the responsibility for finding other means to reduce auto emissions themselves. END COMMENT.

TIMKEN JR